

M e m o r a n d u m

To: Panel Members Date: September 22, 2006
From: Creighton Chan, Manager Agr. No.: ET07-0177
Analyst: A. Nastari
Subject: SMALL BUSINESS AGREEMENT WITH 100 OR FEWER EMPLOYEES

CONTRACTOR:

- Contractor's Legal Name: Kendall Financial Services
- Type of Industry: Finance and Insurance
- Nature of Business: Financial Planning and Income Tax Services
- Contractor's Number of Full-Time Employees: 4
 - Number to be trained: 4
- Turnover Rate 0%
- Repeat Contractor: Yes

CONTRACT:

- Training Project Profile: SET-Workers Earning At Least State Avg Hrly Wage
- ETP Funding Amount: \$3,344
- Employer Contribution: \$3,760
- Average Cost per Trainee: \$836
- Range Of Hourly Wages At Retention: \$21.90 to \$24.00
- Health Benefits: \$.50
- Occupations to be Trained: Accountants, Office Manager, Owner
- Training Menu: Business, Commercial, Computer Skills
- Range of Hours: 8-40
- County(ies) Served: Contra Costa
- Union Representation: No
- Subcontractors: H. D. Vest, Irving, Texas

Waivers:

This small business owner is requesting a waiver to use an out-of-state vendor for a portion of its training plan. ETP does not usually allow the reimbursement of training conducted by an out-of-state vendor. However, Title 22 California Code of Regulations, Section 4421 states in part that the Panel has the discretion to waive this section of the Code if the services are unique to the needs of the employer and are unavailable in California.

The owner reports that the company is a financial planning and income tax service provider that is a federally regulated business under the National Association of Securities Dealers (NASD.) The business is required by law to be under the supervision and control of a Broker-Dealer. Kendall Financial Services' Broker-Dealer is H.D. Vest Investment (HD Vest), which is located in Irving, Texas.

Kendall Financial Services' accounting systems, marketing information/ materials, and customer service options are managed by HD Vest which ensures that NASD compliance requirements are met. In an effort to assist its representatives in developing materials and managing customer's accounts efficiently, HD Vest offers Interactive Web-Based training in a wide range of topics. The training is specific to the needs of HD Vest's representatives and there is no training vendor in California who can offer the training. Therefore the training delivered by the out-of-state Broker-Dealer will ensure that Kendall Financial Services is receiving the accurate methods in managing the accounting program, creating marketing materials and delivering customer service that meet the NASD requirements.

Kendall Financial Services could not find a California-based vendor to deliver this specialized training. This training will consist of 24 hours of training for 4 employees (a total of 96 hours) provided by the out-of-state vendor. Training will be delivered live, by a trainer, in real-time, via the Web. The contractor reports that training usually consists of fewer than 15 trainees during the session. Therefore, the ETP trainer to trainee ratio of 1:20 will not be exceeded.

Curriculum topics will consist of HD Vest specific business, commercial, and computer skills in program administration, marketing, accounting, client-management systems, product knowledge, documentation, and software tax programs. The owner understands that the proposed curriculum can not include regulatory, licensing or training that displaces the company's required training.

The remaining curriculum topics such as intermediate and advanced Microsoft applications, payroll system, and business planning will be provided by internal or California-based vendors.

RECOMMENDATION:

Staff recommends that the Panel approve this project and the use of the out-of-state vendor because the proposed training includes topics that will assist the company in improving efficiencies.

RECOMMENDATION: (continued)

The training in this proposal does not displace company required training. ETP funds will allow Kendall Financial Services to deliver training to more employees in a concise manner. It will also allow the company to continue to provide high-paying stable employment for its workers and to remain a viable employer in California.

PRIOR PROJECTS:

The following are completed projects statistics for ETP Agreements with this Contractor within the last five years:

Prior Projects						
Agreement Number	Location (City)	Term	Contract Amount	Amount Earned	<i>Planned</i> In-Kind Contribution	<i>Reported</i> In-Kind Contribution
ET06-0102	Pinole	07/06/05 – 07/05/06	\$2,880	\$1,818.40	\$2,900	\$1,800

The contractor reports that out of the 3 trainees enrolled, 1 trainee (33%) did not meet ETP's SET minimum wage requirement and therefore had to be dropped from the training. The contractor anticipated the employee meeting ETP's required wage, but after a periodic wage review it was determined that the employee would not receive the increase needed to meet ETP's requirement.